Annual Report 1999

A GLOBAL CONSUMER PRODUCTS COMPANY

DOREL

LES INDUSTRIES DOREL INDUSTRIES INC.

Ready-to-Assemble

The fourth largest manufacturer in the North American RTA industry

A Dorel Company AMERIWOOD INDUSTRIES

RIDGEWOOD CHARLESWOOD
Entreprises Dorel Companies

Juvenile

Cosco ranks among the top three in the United States juvenile industry

Infantino A Dorel Company

DOREL

COSCO A Dorel Company

MAXI MILIAAN

Home Furnishings

Cosco is the leading brand name in the growing folding furniture and step stool market

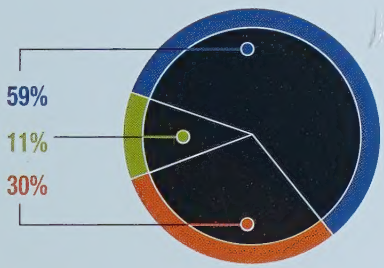
COSCO A Dorel Company

DOREL HOME PRODUCTS

corporate profile

Segmented Sales Information

RTA | Juvenile | Home Furnishings



Earnings From Operations by Segment

DOREL INDUSTRIES INC. is a vertically-integrated, global, consumer products manufacturer, specializing in three distinct segments: ready-to-assemble (RTA) furniture, juvenile furniture and accessories and home furnishings.

Dorel is among the largest players in both the RTA and juvenile industries in North America. It has built on this position through a series of strategic acquisitions in the United States and Europe. Dorel's products are sold in over 60 countries worldwide.

Dorel employs over 3,500 people in 9 countries. Major facilities include the corporate head office and Dorel Home Products division in Montreal, Quebec; Ridgewood in Cornwall, Ontario; Cosco in Columbus, Indiana; Cartersville, Georgia and Fort Smith, Arkansas; Ameriwood in Tiffin, Ohio; Dowagiac, Michigan and Wright City, Missouri and Infantino in San Diego, California. European operations include Dorel (U.K.) in the United Kingdom and Maxi-Miliaan in the Netherlands.

Company shares trade on the Toronto Stock Exchange under the symbols DII.A and DII.B and on the NASDAQ Exchange under the symbol DIIBF.

DOREL
LES INDUSTRIES DOREL INDUSTRIES INC.

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financial highlights

OPERATING RESULTS ($ in thousands except per share amounts)	1999	1998	1997	1996	1995
Sales	$ 929,083	$ 766,607	$ 531,669	$ 425,816	$ 387,789
Cost of sales	697,812	584,007	398,642	316,772	296,478
Gross profits	231,271	182,600	133,027	109,044	91,311
as percent of sales	24.9 %	23.8 %	25.0 %	25.6 %	23.6 %
General and administrative expenses	151,310	128,082	94,789	84,942	75,169
Restructuring costs	-	14,529	-	-	-
Pretax earnings	79,961	39,989	38,238	24,102	16,143
as percent of sales	8.6 %	5.2 %	7.2 %	5.7 %	4.2 %
Income taxes	24,285	13,004	12,924	8,560	5,363
Net earnings	55,676	26,985	25,314	15,542	10,779
as percent of sales	6.0 %	3.5 %	4.8 %	3.6 %	2.8 %
Earnings per share - Basic *	1.99	0.99	1.03	0.66	0.46
Earnings per share - Fully diluted *	1.91	0.97	1.00	0.63	0.44
Book value per share at end of year **	9.45	8.13	6.15	4.17	3.58

* Adjusted to account for the weighted daily average number of shares outstanding.
** Based on the number of shares outstanding at year end.

All per share amounts have been adjusted to give retroactive recognition to a two-for-one stock split that took place in 1998.

1999 highlights

March

- **$10 million expansion project announced for Cornwall RTA unit, Ridgewood Industries.**

April

- **Strong Q1 results announced. Sales increase 53%, net income jumps 66%.**

August

- **Q2 results mark 20th consecutive quarter of growth. Sales rise 18%, net income grows by 39%.**
- **Juvenile unit, Infantino, signs exclusive distribution rights with international fashion travel gear manufacturer, Kipling.**

September

- **Major capital project to boost RTA capacities completed at Ridgewood and Ameriwood's Tiffin plant.**

October

- **Pierre Dupuis appointed as Chief Operating Officer.**
- **Q3 results: Sales increase 8% while net earnings are $14.3 million compared to a loss the previous year of $901 thousand (loss reflected one time pre-tax charge of $14.5 million, related to acquisition of Ameriwood and closing of Leadra Design).**

December

- **Normal course issuer bid announced to repurchase a maximum of 260,143 Class A Multiple Voting Shares and 2,013,729 Class B Subordinate Voting Shares.**
- **Year-end results: record sales and earnings posted for the 22nd consecutive quarter. Sales reach $929 million, up 21%, while earnings top $55.6 million.**

message to shareholders

Martin Schwartz

THIS YEAR DOREL INDUSTRIES will become a billion dollar player in the burgeoning consumer products sector. **We have posted five strong years of performance.** 1999 further underlined this with yet another record performance. We are encouraged by the opportunities that this presents to all Dorel shareholders.

Dorel is a major force in ready-to-assemble furniture, juvenile products and home furnishings. I encourage you to read through our annual report and see for yourself how we are poised to deliver true shareholder value in the year ahead.

Much was accomplished through 1999 in order to position Dorel for continued solid growth. We have refined our business and operational plan to address each and every aspect of our company. We have identified and resolved efficiency issues designed to make our operations even stronger; we have implemented a major capital program in RTA; and, we have placed a very heavy emphasis on new product development.

The industries we operate in continue to grow and will present on-going opportunities which we intend to fully maximize

A Record Year

The initiatives undertaken during the past year have had a definite impact. The numbers speak clearly for themselves with 22 consecutive quarters of growth. For the year ended December 30, 1999 revenues rose 21.2% to $929.1 million, while net earnings jumped 106.3% to $55.7 million. Each of our three segments contributed to this success.

The post of Chief Operating Officer was also created. Pierre Dupuis, who has a strong background in operations at companies larger than Dorel, will help lead what I believe will be a very exciting and rewarding period. This is a new senior management position at Dorel and underlines our belief that added bench strength will be needed as we capture more market share in each of our three segments.

New Opportunities

Dorel's businesses are leading the way. The industries we operate in continue to grow and will present on-going opportunities which we intend to fully maximize. Ready-to-Assemble is still gaining popularity with consumers, particularly in the single office/home office sector. Dorel's RTA business has grown consistently and serves retailers and distributors worldwide. To ensure our competitive edge and continue our profitable growth, subsequent to year-end, we merged Ameriwood/Charleswood and Ridgewood into a single operating division. We are convinced that this new focus creates important synergies which will help us become the leading supplier of RTA furniture in North America.

In Juvenile, parents, grandparents and caregivers are generally spending more to ensure that they have the best and safest products.

Sales of our juvenile products have been growing faster than the industry average. From 1995 through 1998, the CAGR for the juvenile industry was 3%. Ours was 20%. Our aggressive marketing efforts are paying off as evidenced by the progress Cosco has made with its line of strollers. Since re-entering this category only three years ago, Cosco has captured the number one spot in terms of units sold. We hold the same position in the important juvenile car seat sector and are continuing to win market share at the expense of our competitors.

Maintaining An Edge

We concentrate on product development, branding and strong customer relationships. New products drive our sales. This is a key focus and gives us the ability to replace obsolete items with new, improved ones, a significant advantage in the battle for shelf space.

In 1999, we utilized new technology which now permits us to produce smarter, more stylish RTA products, including those combining wood, plastic and metal. We introduced several new items at the October 1999 Annual Juvenile Products Show in Dallas. As an example, to reinforce our strong position in strollers, we unveiled a number of new units. **In Home Furnishings, we intend to become the overwhelmingly dominant brand in the futon business, a market which is estimated at between $500 and $700 million at the retail level, and which is still growing.** Cosco's highly successful lines of work platforms and step stools have also been augmented with new models.

Brands and licenses such as Ameriwood, Ridgewood, Cosco, Eddy Bauer and *Sealy* as well as Maxi Cosi in Europe have positioned us firmly with consumers. Our solid relationships with major mass merchants make our products very easy to find. The numerous vendor awards we continue to win underline our importance as a supplier of exciting, quality items.

Outlook

Our performance has been consistently strong. Our track record is an enviable one. We will build on our five-year CAGR (23% in revenues, 47% in net income) by strengthening the base we have created. Historically, we have done well in growth through acquisitions. We used 1999 to properly integrate Ameriwood. We are keeping our eyes open for other possible candidates.

My sincere thanks to Dorel's employees in nine countries. Their work ethic has helped establish a corporation we can all be proud of. The year 2000 will be an exciting one as we surpass the billion dollar milestone. I am convinced our shareholders will benefit from our continued progress.

Martin Schwartz

Martin Schwartz
President, Chief Executive Officer


READY-TO-ASSEMBLE
READY-TO-
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ready-to-assemble

ready-to-assemble

Highlights:

- Major capital project completed at Ridgewood, Ameriwood
- SGA expenses decreased to 5.9% of sales
- Ameriwood and Ridgewood have become the dominant manufacturers of popular-priced furniture

Dorel's Ready-to-Assemble (RTA) segment was again the Company's major profit center in 1999. Both Ameriwood and Ridgewood contributed to this success. A major capital project was completed in September, which effectively doubled the Ridgewood factory in Cornwall, Ontario and resulted in the total realignment of Ameriwood's Tiffin, Ohio facility.

SGA expenses were further reduced in 1999, to 5.9% of sales, compared to 6.7% in 1998, while Dorel's publicly-traded competitors remained above 20%. This was achieved through the constant corporate-wide focus on spending intelligently and only where required.

Canadian Expansion

The original 208,000 square foot Ridgewood plant, built only 11 years ago, was enlarged to 408,000 square feet and was fully operational by the fourth quarter. The 1999 extension allows for a 75% capacity increase, the flexibility to grow profitably, the ability to focus even more on product development and the resources to ensure on-time deliveries and build stronger customer partnerships.

The additional resources will be put to excellent use following three consecutive years of record sales and profits. **Dorel's RTA segment has become a dominant manufacturer of promotional to moderately priced products and sells to the largest mass merchants throughout North America. Business has expanded with all major customers, the number of SKU's has increased and new clients have been added.** New distribution channels include hardware chains, office superstores and export business.

A Dorel Company AMERIWOOD™ INDUSTRIES

RIDGEWOOD CHARLESWOOD Entreprises Dorel Companies

Capacities going forward can be increased by 50%, providing potential for up to $250 million in additional sales

Dorel also fully supports all e-commerce initiatives undertaken by our clients.

Ameriwood Consolidates

In 1999, the consolidation of Ameriwood Industries, purchased by Dorel during the first half of 1998, and Charleswood was completed. A program of eliminating unprofitable products and customers was also implemented. Non-furniture RTA items such as speakers, kiosks and caskets are gone, as are inefficient small runs. Relationships with certain high-risk clients have also been terminated. While these actions have had the obvious effect of reducing sales somewhat, gross margins have increased by over 3%.

New, sophisticated equipment has been added and the factory floor layout at Tiffin has been altered. **Coupled with the Ridgewood changes, RTA capacities going forward can be increased by some 50%, thus providing the potential for up to a quarter of a billion dollars in additional sales.**

Ameriwood also broadened its product offerings, particularly in the home office segment. Many new items have been launched, several which utilize a new paint line technology which has had the effect of increasing gross margins.

New Products, New Opportunities

Product development is a key focus. This emphasis on developing new items, coupled with greater than ever consumer demand, has solidly positioned Dorel's RTA segment for

added profitability. **Both Ameriwood and Ridgewood are among the dominant manufacturers of popular-priced furniture. Relationships with clients are solid.** Mass merchants often look to Dorel to find the right product at the right price. Several major retailers have recognized our performance with numerous product and vendor awards.

Dorel's RTA divisions are utilizing new technology, resulting in smarter, more stylish products, some combining wood, plastic and metal. There are now hidden fastenings; exciting edge treatments, a benefit of new high-speed equipment; enhanced lamination on particle board; and new painting procedures which allow for the addition of real wood accents. All of this has made the products better looking than ever.

Outlook

The RTA industry as a whole will continue to grow through the year 2000. Dorel's units will remain concentrated on new product development, aggressive sales and marketing, as well as stringent controls on all costs. As well, additional investments will be made in equipment and technology to ensure that a competitive edge is maintained. Export markets, such as South America and Europe, are also being explored.

Subsequent to year-end, Dorel merged its RTA units into a single division under one management team. This is designed to maximize internal strengths and to better utilize the existing manufacturing network. This includes making widespread use of the diversity of specialized equipment available at the various RTA factories.

This combination, coupled with the company's strong position in RTA, is expected to produce further impressive increases in both sales and earnings. The efforts made in 1999 to consolidate and seek all avenues to improve operations will serve the RTA segment well in the years ahead.

A Dorel Company AMERIWOOD INDUSTRIES

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JUVENILE
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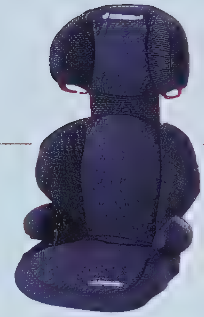
JUVENILE

juvenile



Highlights:

- **Dorel's 3 year CAGR 20%, industry CAGR 3%**
- **Eddie Bauer license - excellent results**
- **Successful product launches**

The Juvenile segment continued to make significant gains in 1999 and has become one of the leading players in the industry. Sales have grown faster than the industry average. From 1995 through 1998, the CAGR for the juvenile industry was 3%, while Dorel's was 20%. In addition, over the past five years, Dorel has maintained a growth rate of 22%. New product development continues to drive sales. This is a core focus and provides the ability to replace obsolete items with new, improved ones, a significant advantage in the battle for shelf space.

Cosco, the largest company within Dorel's juvenile segment, had an exceptional year with significant top line growth due, in large part, to consumer demand for its many, new products. In addition to several product enhancements, more than two dozen new items were launched.

Strong Brands, Strong Results

Strong brand awareness is a major plus in any marketing endeavour. As such, considerable effort has been made to position Cosco as a leading juvenile brand. Similarly, Maxi-Cosi, Maxi-Miliaan's primary brand, is one of the leading names for quality infant products in Europe.

A further example of this focus is the success Cosco has had with its line of strollers. **Since re-entering this category only three years ago, Cosco has captured the number one spot in terms of units sold. It holds the same position in the important juvenile car seat sector and is continuing to capture market share at the expense of competitors.** The *Alpha Omega* car seat has become the number one selling car seat in North America in the over $100 price tag category.

This past year, the implementation of an important new strategy created excellent results. While Cosco has been very successful in the opening to mid-price point categories, there was a requirement to transcend this plateau for certain products.

Dorel is capturing more and more market share

In addition to higher margins, it was felt this would make Cosco products even more sought-after.

Licenses Spell Success

The first test was a licensing agreement with Eddie Bauer. An exclusive line of car seats and strollers was developed to appeal directly to up-scale tastes; designs that were also a hit with adults. Getting away from an all kiddies theme was a first for Cosco, but the results have been nothing less than spectacular. In the view of management, the license has been one of the most successful ever for any company in the hard goods sector of the juvenile industry. Additional Eddie Bauer products are being rolled out this year.

Building on this success, other licenses have been negotiated with the National Association for Stock Car Racing (NASCAR) as well as with the racing teams of Dale Earnhardt and Mark Martin. The NASCAR and drivers' logos will be used on a variety of products, including high chairs, playards and strollers. NASCAR has been most successful with its branding programs and Cosco expects excellent growth potential from this new program.

Another initiative was the purchase of wood crib manufacturer Okla Homer Smith in 1998. While Cosco has had a solid line for years in metal cribs, wood products had not been seriously addressed. Several handsome products are now offered featuring quality hardwood construction in traditional styles including shaker and sleigh cribs. This repositioning also extends to case goods, such as dressers, change tables and armoirs.

Maxi Makes Its Mark In Europe

Maxi-Miliaan, Dorel's European operation, is also a driving force. Sales ended the year above projections because of a higher demand for Maxi's well-respected brands.

During the third quarter, Maxi introduced a new booster, the *Maxi Cosi Rodi* and an infant car seat, the *Maxi Cosi Citi*. Both have been well received by retailers in Europe. Sales of the *Maxi Cosi Priori*, Maxi's first full size children's car seat introduced in 1998, continue to grow.

The introduction of Maxi's *Priori* line in the U.S. marked the launch of Maxi products to the North American market. These are premium priced items designed for those with more

sophisticated tastes. Similar initiatives are underway in South America, Brazil, Japan and Italy.

Cosco products have been introduced to the European market to serve large North American retailers who are growing internationally.

Infantino, Dorel's manufacturer and distributor of juvenile accessories, continued to attract a diverse group of popular properties and brands. Licensing has become increasingly important and presents additional opportunities for Infantino to aggressively enter new product categories and channels of distribution.

Outlook

The year 2000 looks promising for the Juvenile segment. Product development will play a major role in the growth of all markets. As an example, all car seat lines will be redesigned over the next two years. Significant product launches will include new strollers, car seats and a line of new high-end playards. **Dorel is capturing more and more market share by adding new customers and more items to existing accounts.** As well, new markets are being opened in other areas around the world, such as Eastern Europe, Asia and South America.

Building on the existing strong U.S. relations Dorel has with the top mass merchants, Maxi is currently working with them as they expand their operations internationally. This will provide important new channels of distribution.

With safety a constant pre-occupation, Cosco has become the first U.S. car seat manufacturer to offer parents a car seat that can use the new LATCH (Lower Anchors and Tethers for Children) hardware. The new system is now available in some vehicles such as the *Ford Windstar*. LATCH combines a set of small metal bars that are part of the vehicle seat and a special set of attachments on the child car seat, eliminating the need for using the adult belt system to properly secure the car seat. Vehicles are phasing in the hardware over the next two and a half years. Plans to launch *ISOFIX* in Europe, a similar system, are also underway and the juvenile segment will play an important role in this process.

COSCO A Dorel Company

infantino A Dorel Company

DOREL

MAXI MILIAAN


HOME FURNISHINGS
HOME FURNISHINGS
HOME FURNISHINGS
HOME FURNISHINGS

home furnishings

Highlights:

- **Segment a greater contributor to bottom line**
- **Strong *Sealy*/futon combination**
- **New product launches with recognized Cosco brand**

Home Furnishings was a far greater contributor to Dorel's profitability in 1999. The closing of furniture division Leadra Design, which lost $2 million in 1998, and the changes to operations at Dorel Home Products have brought the anticipated results. On the strength of its recognized name and new product launches, Cosco's Home Furnishings division also performed well.

Dorel's Home Furnishings products are manufactured by Cosco in the U.S.A. and by Dorel Home Products in Canada. Products include folding tables and chairs, step stools, metal bunk beds, futons, as well as metal and wood office furniture.

Cosco Leads The Way

Cosco continued to be the dominant contributor to the Home Furnishings sector. Their leading brand name in folding furniture and step stools continued to serve them well through 1999. Staples such as five piece bridge sets and an assortment of metal folding chairs have, over the years, helped build this name and secure a major share of the market.

The line of work platforms, designed just a few years ago, has also been expanded and continues to be extremely popular with consumers. This has also helped broaden the recognition and reputation of Cosco. The newest offering is the *World's Greatest Work Platform Step Stool*, a lightweight, easy-to-transport and highly practical unit.

Cosco's commercial/industrial sales force is being strengthened to address new areas such as the commercial market. A line of stacking chairs will be introduced shortly.

COSCO A Dorel Company

DOREL HOME PRODUCTS

The commitment made to significantly increase Home Furnishings' earnings from ... operations has been fulfilled

The *Sealy* Success

Branding has also been an important strategy in Home Furnishings. Over two years ago, a licensing agreement was concluded with *Sealy* to manufacture and distribute futons under their name. The results through 1999, in both the United States and Canada, were most satisfying. In fact, this was one of the biggest areas of growth for the Home Furnishings segment.

Market penetration has been achieved in several of the top furniture and sleep shop chains, the majority in the U.S. and many in the higher priced segment of the market. Major warehouse clubs and other mass merchants have also been successfully targeted. In all cases, **the sell through with *Sealy* has been greater than with any other brand. Sales, which were negligible in 1998, topped $10 million in fiscal 1999.**

These initiatives will be expanded through 2000. A special *Sealy* line has been developed for mass merchants and was introduced during the first quarter this year. As well, futons with

Sealy's highly popular "posture pedic mattress" will be marketed to a wider distribution of accounts. The objective is to become the overwhelmingly dominant brand in the futon business, a market at the retail level which is estimated at between $500 and $700 million and which continues to expand.

Building on previous successes, Dorel Home Products is also expanding its line of home/office furniture, creating new products and identifying new customers. Their new, major facility in Montreal is now completely operational and benefits are accruing from various improvements launched during the past year.

Outlook

The commitment made last year to significantly increase Home Furnishings' earnings from operations in 1999 has been fulfilled. While management's changes to the segment have brought results, further gains are anticipated.

Subsequent to year-end, Cosco announced that a licensing agreement has been concluded with the National Association for Stock Car Racing (NASCAR) to utilize the popular logo on Cosco's folding tables and chairs. This is expected to generate additional interest in these lines.

The extreme diversity of merchandise manufactured and distributed through Dorel's Home Furnishings segment provides product for just about every mass merchant. Consumer demand for Cosco's folding tables and chairs, utility stools and work platforms, and Dorel Home Products' home/office furniture, futons and metal bunk beds continues to grow. Merchants have also come to depend on these items as a reliable source of sales.

It is this success that will provide steady growth throughout the year 2000 and beyond.

COSCO A Dorel Company

DOREL

1999 compared to 1998

Overview

Dorel Industries Inc. produced another year of growth in sales and earnings in 1999. As the Company made no acquisitions in 1999, this growth came from already established operations, as opposed to newly acquired ones. Emphasis was placed on augmenting and improving existing facilities and product lines. As a result, for the fiscal year ended December 30, 1999, sales were $929.1 million compared to $766.6 million for the fiscal year ended December 30, 1998, representing an increase of 21.2%. Net income improved to $55.7 million in 1999 from $27.0 million in 1998, an increase of 106.3%. Even after adjusting the 1998 results for the one-time after-tax restructuring charge of $10.6 million incurred in that year, the net income growth was still 48.1%.

Sales

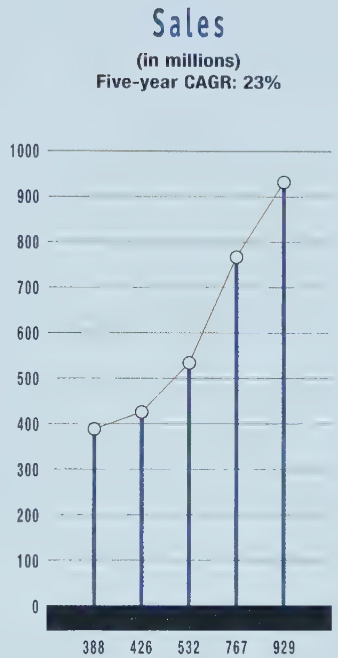
The sales growth came from all three business segments of the Company. The Juvenile segment provided the most dramatic increase in sales with an increase of $106.6 million or 36.3%. However, the Ready-to-Assemble and Home Furnishings segments also contributed with increases of 17.2% and 2.9% respectively. In fact, these two increases are even more significant when the following are considered. In the RTA segment, certain product lines inherited from Ameriwood in the 1998 acquisition were intentionally dropped in 1999 due to their lack of profitability. In the Home Furnishings segment, Leadra Design was closed late in 1998. When these factors are considered, the true growth in sales of these segments in 1999 was 23.6% for RTA and 17.3% in Home Furnishings.

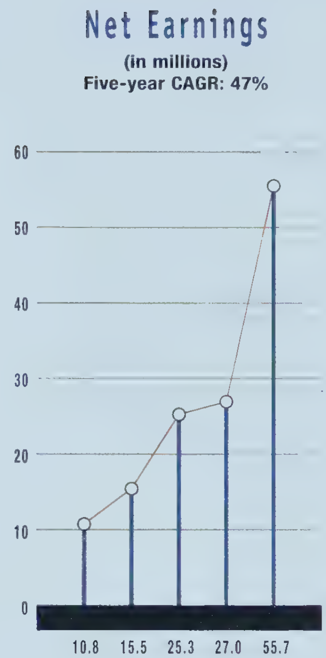
Juvenile segment sales were $399.7 million in 1999 compared to $293.1 million in 1998. Though contributions to this growth came from several of the segment's businesses, it was Cosco's sales growth that accounted for the majority of the increase. The continued success of Cosco's imported stroller program and a large increase in sales of car seats accounted for the bulk of this increase. The wooden juvenile furniture facility in Fort Smith, Arkansas, acquired in 1998, also contributed, accounting for almost 20% of Cosco's sales growth. Dorel's European Juvenile operations, consisting of Maxi-Miliaan and Dorel (U.K.), continued to contribute to the segment's growth. Sales from these two companies were up a combined 23% in 1999. New product introductions in Europe continue to be well received, resulting in this substantial sales growth.

The Ready-to-Assemble segment grew from sales of $294.9 million in 1998 to $345.7 million in 1999, an increase of $50.8 million. This growth came from both existing and new customers and indicates the market's acceptance of the RTA segment's emphasis on newly designed and improved products. Despite intentionally dropping both unprofitable products and accounts, the RTA segment was able to continue its growth. The expansion at the Company's Cornwall, Ontario facility and the realignment of its U.S. facilities allowed the segment to handle this increased demand and should allow for continued growth going forward.

Sales of the Home Furnishings segment increased to $183.7 million in 1999 from $178.6 million in 1998, an increase of $5.1 million. However, the 1998 figures include sales in the amount of $22.0 million from the Leadra Design division, which was closed near the end of that year. Therefore, true sales growth in this segment was $27.1 million. Both the Cosco and Dorel Home Products divisions fueled this increase. Sales of Cosco's product lines of folding furniture and step stools continue to increase and account for about one half of the segment's growth. The other half of the growth came mainly from the Dorel Home

Products' line of *Sealy* futons. These branded futons began substantial shipping in 1999 and should provide Dorel with an advantage in capturing a significant portion of the growing futon market.





Gross Profit

Gross profit was $231.3 million in 1999 compared to $182.6 million in 1998, an increase of 26.7%. As a percentage of sales, gross profit was 24.9% in 1999 as compared to 23.8% in 1998. Margins in both the RTA and Home Furnishings segments were up, offset by a decrease in the Juvenile segment. The increases in both the RTA and Home Furnishings segments were a direct result of initiatives that were started late in 1998 and that continued into 1999. In the RTA segment, the expansion and streamlining of operations and the willingness to forego less profitable product lines improved margins accordingly. In the Home Furnishings segment, the closing of Leadra Design in late 1998 and the consolidation of Dorel Home Products' operations into one facility, also in 1998, produced the expected results of improved profitability throughout 1999. The Juvenile segment's margins were adversely affected by two main factors. The first was an intentional decision to sell strollers to a specific customer at little or no margin. This strategy was aimed at satisfying the customer's needs and allowed for other juvenile products to also be sold to this customer at healthy margins. The other element reducing juvenile margins in 1999 were lower than expected margins on the segment's new, wood juvenile furniture line.

Operating Expenses and Amortization

Operating expenses, consisting primarily of selling, general and administrative expenses, were $114.8 million in fiscal 1999 compared to $96.7 million in 1998, an increase of 18.6%. Operating expenses, as a percentage of sales, were lower in 1999 as compared to 1998, at 12.4% in 1999, compared to 12.6% in 1998. The increase in operating expenses can be explained mainly by an increase in variable selling expenses, such as commissions and advertising, which are directly attributable to higher sales levels. Fixed costs were maintained, as attested to by the decrease in operating expenses as a percentage of sales. Operating expenses in 1999 versus 1998 were consistent across all segments of the Company in that no one segment varied greatly from the prior year as a percentage of sales.

Amortization, which includes depreciation, was $24.4 million in 1999 compared to $20.1 million in 1998, an increase of 21.2%. This increase was the result of a higher level of capital assets at the divisions across all three segments.

Earnings from Operations and Net Income

Total earnings from operations were $100.8 million in 1999 compared to $71.5 million in 1998, representing an increase of 41.1%. The operating profit of the RTA segment was $59.6 million in 1999 compared to $40.3 million in 1998, an increase of 47.7%. This increase can be attributed to both

RTA operating divisions. Sales increases, as well as expanded and improved operations, both contributed to this increase. The operating profit of the Juvenile products segment was $30.3 million in 1999 compared to $26.5 million in 1998, representing an increase of 14.4%. This increase can be attributed mainly to increased sales volumes and improved performance at the Cosco and Maxi-Miliaan divisions. The operating profit of the Home Furnishings segment was $11.0 million in 1999 compared to $4.6 million in 1998, an increase of 135.7%. The increase in operating profits is the result of sales increases at Cosco and improvements in both sales levels and margins at Dorel Home Products. The closing of Leadra Design in 1998 also positively impacted 1999 as 1998 operations had resulted in a loss.

Total interest costs were $9.7 million in 1999 compared to $9.2 million in 1998, an increase of 5.6%. This was the result of higher debt levels that were required to acquire Ameriwood in the second quarter of 1998. These higher interest costs resulted in spite of the fact that debt levels decreased throughout 1999. By the end of 1999 debt levels were at their lowest point since the first quarter of 1998, prior to the acquisition of Ameriwood.

Income taxes were $24.3 million or 30.4% of income in 1999 compared to $13.0 million or 32.5% of income in 1998. The decrease in the effective tax rate is attributable to the proportionate change in pre-tax profits in the different tax jurisdictions.

Finally, when comparing the 1999 results to those of the prior year, it should be noted that the 1998 figures included a one-time restructuring charge of $14.5 million pertaining to the closing of the Leadra Design division and the acquisition of Ameriwood Industries.

For the reasons set out above, net income was $55.7 million in fiscal 1999 compared to $27.0 million in fiscal 1998, an increase of $28.7 million or 106.3%.

liquidity and capital resources

During 1999, cash flow from operations before changes in non-cash working capital was $80.4 million, as compared to $47.5 million in 1998. This represented an increase of 69.3%. After funding non-cash working capital, operating activities provided cash of $43.2 million in 1999. The Company primarily reinvested this cash flow in additions to its capital assets. These investments totalled $26.7 million in 1999 as compared to $28.0 million in 1998. Any excess cash over and above these expenditures was used to reduce outstanding bank borrowings. Working capital at the end of 1999 was $229.0 million compared to $181.0 million in 1998.

risks and uncertainties

As with all manufacturers of products designed for use by consumers, Dorel is subject to numerous product liability claims, particularly in the United States. Although Dorel maintains product liability insurance in an amount it considers sufficient, no assurance can be given that a judgement will not be rendered against it in an amount exceeding the amount of insurance coverage or in respect of a claim for which Dorel is not insured. Furthermore, Dorel's product liability insurance includes a per claim deductible, payment of which with respect to a large number of judgements or settlements could also have a material adverse effect on Dorel's financial condition. At Dorel, there is an ongoing effort to improve quality control and to ensure the safety of its products. In this regard, Cosco is the only North American manufacturer of juvenile products with its own in-house sled test for children's car restraints.

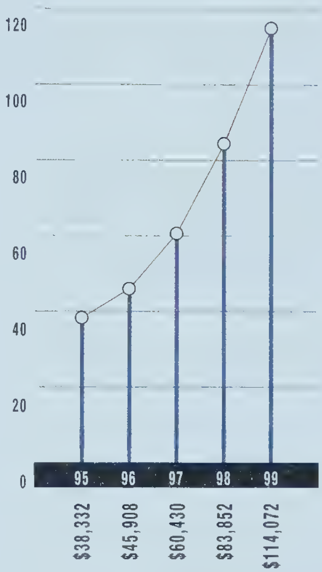
Most of Dorel's sales are to major retail chains. In recent years, the retail environment has been highly competitive. If major retailers cease operations, there could be a material adverse effect on the Company's consolidated results of operations. In addition, several major retailers in the United States and Canada have filed for protection from creditors and are reorganizing their affairs under relevant bankruptcy and insolvency legislation. The continuation of this trend could increase Dorel's bad debt expense. The Company conducts ongoing credit reviews and where considered appropriate, maintains credit insurance on selected accounts to minimize these risks.

For the year ended December 30, 1999, approximately 53% of Dorel's sales were made to *Wal-Mart* and *K-Mart*, its two major customers. This compares to 51% in 1998. Dorel does not have long-term contracts with its customers, and as such, sales are dependent upon Dorel's continuing ability to deliver attractive products at a reasonable price, combined with high levels of service. There can be no assurance that Dorel will be able to sell to such customers on an economically advantageous basis in the future or that such customers will continue to buy from Dorel.

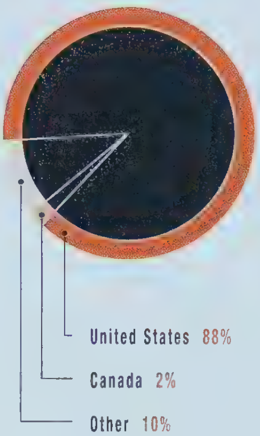
year 2000 (Y2K)

The Year 2000 did not impact the Company's operations subsequent to year-end. None of its computer systems, production equipment, suppliers or customers experienced problems associated with Y2K that adversely affected Dorel and any costs associated with remedying Y2K issues were not material to the Company. While there is some risk of encountering Y2K date-related issues in the future, the Company believes these issues will not create material disruptions to its operations.

EBITDA
before restructuring costs
(in thousands)
Five-year CAGR: 30%



Geographic Distribution of Sales



currency exposure

Dorel's North American operations generate revenues and incur expenses in both Canadian and U.S. dollars. Materials and equipment are purchased in various currencies depending upon competitive factors, including relative currency values. Dorel's European businesses generate revenues and incur labour and material costs in a variety of currencies. In an effort to manage foreign exchange exposure, Dorel employs hedging programs primarily through the use of foreign exchange forward contracts. Dorel does not speculate in currencies. The amount and timing of the forward contracts are dependent on a number of factors, such as anticipated production delivery schedules and anticipated production costs, which may be paid in the foreign currency.

raw materials

Dorel's main commodities are steel, plastic resin, corrugated cartons, particleboard and paperboard. Inflation did not significantly impact the costs of these commodities for the Company in 1999, as it was a relatively stable year in terms of raw material costs. Any increases in raw material costs due to inflation or any other factor could affect the profitability of Dorel going forward. Management is of the belief that should any of these costs increase, the impact on the business would be minimized by improvements in productivity and the benefits of increased sales volumes.

directors

Martin Schwartz,
President,
Chief Executive Officer,
Dorel Industries Inc.

Jeff Segel,
Vice-President,
Sales and Marketing,
Dorel Industries Inc.

Alan Schwartz,
Vice-President,
Operations,
Dorel Industries Inc.

Jeffrey Schwartz,
Vice-President, Finance
and Secretary,
Dorel Industries Inc.

Dr. Laurent Picard,*
C.C.

Bruce Kaufman*

Maurice Tousson*

*Members of the Audit Committee

officers

Martin Schwartz,
President,
Chief Executive Officer

Jeff Segel,
Vice-President,
Sales and Marketing

Jeffrey Schwartz,
Vice-President, Finance
and Secretary

Alan Schwartz,
Vice-President,
Operations

Pierre Dupuis,
Chief Operating Officer

Frank Rana,
Treasurer

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U.S.A. 72902

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United Kingdom
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Maxi-Miliaan B.V.
Kees Spreeuwenberg
Grasbeemd 28
5705 DG Helmond, Holland

Dorel Financial Inc.
P.O. Box 261, Bay Street
Bridgetown, Barbados

Dorel Asia Ltd.
16/F, Tal Building
49 Austin Road
Kowloon, Hong Kong

transfer agent & registrar

Montreal Trust Company

stock exchange listing

Share Symbols:
DII.A; DII.B
Toronto Stock Exchange
DIIBF
NASDAQ

investor relations

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Rick Leckner
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T.M.R., Quebec
Canada H3R 1K1
Tel.: (514) 731-0000
Fax: (514) 731-4525
email: brison1@maisonbrison.com

annual meeting of shareholders

Thursday, May 25, 2000, 11:00 A.M.
The Queen Elizabeth Hotel, Galerie 4
900 René-Lévesque Blvd. West
Montreal, Quebec, Canada

management's responsibility

Dorel Industries Inc.'s Annual Report for the year ended December 30, 1999, and the financial statements included herein, were prepared by the Corporation's Management and approved by the Board of Directors. The Audit Committee of the Board is responsible for reviewing the financial statements in detail and for ensuring that the Corporation's internal control systems, management policies and accounting practices are adhered to.

The financial statements contained in this Annual Report have been prepared in accordance with the accounting policies which are enunciated in said report and which Management believes to be appropriate for the activities of the Corporation. The external auditors appointed by the Corporation's shareholders, Goldsmith Miller Hersh, have audited these financial statements and their report appears below. All information given in this Annual Report is consistent with the financial statements included herein.

Martin Schwartz
President and Chief Executive Officer

Jeffrey Schwartz
Vice-President, Finance

auditors' report

To the Shareholders of
DOREL INDUSTRIES INC.

We have audited the consolidated balance sheets of **DOREL INDUSTRIES INC.** as at December 30, 1999 and 1998 and the consolidated statements of income, retained earnings and cash flows for each of the years in the three year period ended December 30, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 30, 1999 and 1998 and the results of its operations and its cash flows for each of the years in the three year period ended December 30, 1999, in accordance with generally accepted accounting principles.

Goldsmith Miller Hersh
Chartered Accountants

Montreal, Quebec
January 17, 2000

consolidated balance sheet

AS AT DECEMBER 30, 1999
(In thousands of Canadian dollars)

ASSETS	1999	1998
CURRENT ASSETS		
Cash and cash equivalents	$ 8,779	$ 9,851
Accounts receivable (Note 3)	151,261	120,299
Inventories (Note 4)	147,282	143,162
Prepaid expenses	15,273	11,653
Deferred income taxes	10,656	10,097
	333,251	295,062
CAPITAL ASSETS (Note 5)	136,878	139,759
DEFERRED CHARGES (Note 6)	5,239	5,357
INTANGIBLE ASSETS (Note 7)	20,459	24,208
	$ 495,827	$ 464,386

LIABILITIES	1999	1998
CURRENT LIABILITIES		
Bank indebtedness (Note 8)	$ 1,604	$ 12,906
Accounts payable and accrued liabilities	76,149	69,745
Salaries payable	14,595	11,933
Income taxes payable	4,209	5,248
Current portion of long-term debt	7,727	14,279
	104,284	114,111
LONG-TERM DEBT (Note 9)	106,978	111,951
DEFERRED INCOME TAXES	18,497	14,742
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 11)	90,322	88,025
RETAINED EARNINGS	172,250	116,786
CUMULATIVE TRANSLATION ADJUSTMENT (Note 13)	3,496	18,771
	266,068	223,582
	$ 495,827	$ 464,386

COMMITMENTS (Note 15)
PRODUCT LIABILITY (Note 16)
CONTINGENT LIABILITIES (Note 17)

See accompanying notes.

Approved on Behalf of the Board:

Martin Schwartz
Director

Jeffrey Schwartz
Director

consolidated statement of retained earnings

FOR THE YEAR ENDED DECEMBER 30, 1999
(In thousands of Canadian dollars)

	1999	1998	1997
Balance, beginning of year	$ 116,786	$ 91,036	$ 67,068
Net income	55,676	26,985	25,314
Premium paid on repurchase of shares (Note 11)	(212)	-	-
Share issue expenses (net of income taxes, 1998 - $614, 1997 - $663)	-	(1,235)	(1,346)
BALANCE, END OF YEAR	$ 172,250	$ 116,786	$ 91,036

See accompanying notes.

consolidated statement of income

FOR THE YEAR ENDED DECEMBER 30, 1999
(In thousands of Canadian dollars, except per share amounts)

	1999	1998	1997
SALES	$ 929,083	$ 766,607	$ 531,669
EXPENSES			
Cost of sales	697,812	584,007	398,642
Operating	114,774	96,750	71,059
Amortization	24,395	20,131	13,597
Research and development costs	2,425	1,998	1,538
Restructuring costs (Note 20)	-	14,529	-
Interest on long-term debt	9,445	8,552	8,026
Other interest	271	651	569
	849,122	726,618	493,431
INCOME BEFORE INCOME TAXES	79,961	39,989	38,238
Income taxes (Note 21)			
Current	23,771	12,878	12,490
Deferred	514	126	434
	24,285	13,004	12,924
NET INCOME	$ 55,676	$ 26,985	$ 25,314
EARNINGS PER SHARE (Note 22)			
Basic	$ 1.99	$ 0.99	$ 1.03
Fully diluted	$ 1.91	$ 0.97	$ 1.00

See accompanying notes.

consolidated statement of cash flows

FOR THE YEAR ENDED DECEMBER 30, 1999
(In thousands of Canadian dollars)

	1999	1998	1997
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net income	$ 55,676	$ 26,985	$ 25,314
Adjustments for:			
Amortization	24,395	20,131	13,597
(Gain) loss on disposal of capital assets	(226)	236	209
Deferred income taxes	514	126	434
	80,359	47,478	39,554
Changes in non-cash working capital: (Note 23)	(37,166)	198	(28,921)
CASH PROVIDED BY OPERATING ACTIVITIES	43,193	47,676	10,633
FINANCING ACTIVITIES			
Increase (decrease) in bank indebtedness	(11,273)	2,993	(4,038)
Decrease in long-term debt	(6,038)	(22,013)	(16,439)
Issuance of capital stock	2,338	22,375	37,853
Repurchase of capital stock	(254)	-	-
Share issue expenses	-	(1,849)	(2,009)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(15,227)	1,506	15,367
INVESTING ACTIVITIES			
Acquisition of subsidiary companies	-	(74,931)	-
Cash on hand	-	125	-
	-	(74,806)	-
Financed by long-term debt	-	53,428	-
	-	(21,378)	-
Additions to capital assets	(26,690)	(28,004)	(10,656)
Deferred charges	(2,251)	(3,235)	(549)
Intangible assets	(596)	(387)	(276)
CASH USED IN INVESTING ACTIVITIES	(29,537)	(53,004)	(11,481)
OTHER			
Effect of exchange rate changes on cash	499	(3,633)	319
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,072)	(7,455)	14,838
Cash and cash equivalents, beginning of year	9,851	17,306	2,468
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 8,779	$ 9,851	$ 17,306

See accompanying notes.

AS AT DECEMBER 30, 1999

(In thousands of Canadian dollars, except per share amounts)

NOTE 1 - ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries from the date of their acquisition. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. Significant estimates have been made by management with respect to the potential outcomes of outstanding litigation associated with the Company's product liability claims as outlined in Note 16. Actual results could differ from those estimates, thus, making it reasonably possible that a change in these estimates could occur in the near term.

Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Inventories

Raw material inventories are valued at the lower of cost and replacement cost. Finished goods inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in; first-out basis.

Amortization

Capital assets are amortized as follows:

	Method	Rate
Buildings and improvements	Straight-line	2 1/2%
Machinery and equipment	Declining balance	15%
Moulds	Straight-line	5 years
Furniture and fixtures	Declining balance	20%
Vehicles	Declining balance	30%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	5 years

Deferred charges

Deferred charges are carried at cost less accumulated amortization.

- Research and Development Costs:
  The Company has incurred costs on activities which relate to research and development of new products. Research costs are expensed as they are incurred. Development costs are also expensed unless they meet specific criteria related to technical, market and financial feasibility. Certain of the Company's juvenile and houseware product development costs in the amount of $2,167 (1998 - $2,220, 1997 - $1,188) were deferred and are being amortized to operations on a straight-line basis over a period of two years.
- Financing Costs:
  The Company has incurred certain costs related to the issue of long-term debt. These amounts are amortized to operations on a straight-line basis over the terms of the related long-term debt.
- Barter Credits:
  Barter credits were acquired from the sale of inventory and equipment and have been utilized within the four-year term of the agreement through purchases from suppliers.

Intangible Assets

- Goodwill:

  Goodwill represents the excess of the purchase price over the fair values assigned to identifiable net assets acquired of subsidiary companies. The amortization expense is computed by the straight-line method over periods not to exceed 40 years.

  The Company evaluates the carrying value of goodwill for potential impairment on an ongoing basis. Such evaluations compare operating income before amortization of goodwill to the amortization recorded for the operations to which the goodwill relates. The Company also considers projected future operating results, trends and other circumstances in making such evaluations.

- Patents:

  Patents are amortized by the straight-line method over their useful lives.

Foreign Currency Translation

- Self-Sustaining Foreign Operations:

  Assets and liabilities of the self-sustaining operations are translated to Canadian dollars at the rates in effect at the balance sheet date. Income and expenses are translated at average rates of exchange for the year. The resulting gains or losses are accumulated as a separate component of shareholders' equity.

- Hedging of Foreign Currencies:

  Gains and losses on the translation of the bank loans to hedge the net investment in self-sustaining operations are offset against the exchange gains or losses arising on translation of the financial statements of the foreign operations included in the separate component of shareholders' equity.

The cumulative translation adjustment in shareholders' equity represents the net unrealized foreign currency translation gain or loss on the Company's net investment in self-sustaining operations.

Derivative Financial Instruments

The Company uses derivative financial instruments to reduce its exposure to fluctuation in foreign currency exchange rates. Derivatives are used as part of the Company's risk management strategy, are designated at inception as a hedge, and are measured for effectiveness on an ongoing basis. The Company does not use derivative financial instruments for speculative or trading purposes.

Gains and losses that are designated and effective as hedges of anticipated transactions are deferred and recognized in income in the same period that the underlying transaction is settled.

Pension Plans

The Company's subsidiaries maintain defined benefit plans and defined contribution plans for their employees. Pension benefit obligations under the defined benefit plans are determined annually by independent actuaries using management's assumptions and the accrued benefit method. The plans provide benefits based on a defined benefit amount and length of service.

Pension expense consists of the following:

- the cost of pension benefits provided in exchange for employees' services rendered in the period.
- interest on the actuarial present value of accrued pension benefits less earnings on pension fund assets.
- amounts which represent the amortization of the unrecognized net pension assets that arose when accounting policies were first applied and subsequent gains or losses arising from changes in actuarial assumptions, and experience gains or losses related to return on assets on the straight-line basis, over the expected average remaining service life of the employee group.

NOTE 1 - ACCOUNTING POLICIES (Cont'd)

Post-Retirement Benefits Other Than Pensions

Post-retirement benefits other than pensions, such as health care and life insurance benefits for retired employees, are generally charged to operations as incurred.

Reclassifications

Certain of the prior year's accounts have been reclassified to conform to the 1999 financial statement presentation.

NOTE 2 - BUSINESS ACQUISITIONS

On May 1, 1998, the Company acquired all the outstanding common shares of Ameriwood Industries International Corporation, a ready-to-assemble furniture manufacturer based in Michigan and Ohio, U.S.A., for a total consideration of $60,750 of which $21,378 was for cash and the remaining balance was financed through long-term debt. The combination has been recorded under the purchase method of accounting with the results of operations of the acquired business being included in the accompanying financial statements since the date of acquisition.

The assets acquired and liabilities assumed consist of the following:

Assets	
Current	$ 40,705
Capital	34,699
Goodwill acquired	7,400
Other	6,388
	$89,192
Liabilities	
Current	16,869
Long-term debt	9,731
Deferred income taxes	1,842
	28,442
Total Purchase Price	$ 60,750

The discrepancy between the purchase price of the shares of the subsidiary company and the net book value of its underlying assets at the date of acquisition has been reflected as goodwill and is amortized on a straight-line basis over a period of 20 years.

On September 1, 1998, the Company acquired substantially all of the assets and liabilities of the Okla Homer Smith Unit of Century Products Company, a manufacturer of wooden furniture based in Arkansas, U.S.A., for a total consideration of $11,059 which was financed through long-term debt. The combination has been recorded under the purchase method of accounting with results of operations of the acquired business being included in the accompanying financial statements since the date of acquisition.

The assets acquired and liabilities assumed consist of the following:

Assets	
Current	$ 11,661
Capital	3,420
Other	168
	$ 15,249
Liabilities	
Current	4,190
Total Purchase Price	$ 11,059

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	1999	1998
Total accounts receivable	$ 176,032	$ 150,088
Allowance for anticipated credits	(22,123)	(24,959)
Allowance for doubtful accounts	(2,648)	(4,830)
	$ 151,261	$ 120,299

NOTE 4 - INVENTORIES

Inventories consist of the following:

	1999	1998
Raw materials	$ 52,114	$ 79,363
Work in process	12,589	14,272
Finished goods	82,579	49,527
	$ 147,282	$ 143,162

NOTE 5 - CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 1999	Net 1998
Land	$ 2,679	$ -	$ 2,679	$ 2,704
Buildings and improvements	63,375	11,776	51,599	48,148
Machinery and equipment	103,323	46,857	56,466	49,047
Moulds	51,032	36,073	14,959	11,517
Furniture and fixtures	4,334	2,192	2,142	2,131
Vehicles	885	513	372	164
Computer equipment	9,757	6,377	3,380	3,092
Leasehold improvements	2,281	993	1,288	1,572
Construction in progress - equipment	3,993	-	3,993	8,090
Equipment under capital lease	-	-	-	13,294
	$ 241,659	$ 104,781	$ 136,878	$ 139,759

NOTE 6 - DEFERRED CHARGES

	1999	1998
Development costs	$ 3,479	$ 3,115
Financing costs	[illegible]	1,548
Barter credits	-	694
Other	870	-
	$ 5,239	$ 5,357

Amortization of deferred development costs and all other deferred charges amounted to $1,446 (1998 - $1,416, 1997 - $1,256) and $597 (1998 - $947, 1997 - $1,139), respectively.

NOTE 7 - INTANGIBLE ASSETS

	Cost	Accumulated Amortization	Net 1999	Net 1998
Goodwill	$ 21,395	$ 2,760	$ 18,635	$ 22,694
Patents	2,479	655	1,824	1,514
	$ 23,874	$ 3,415	$ 20,459	$ 24,208

NOTE 8 - BANK INDEBTEDNESS

The average interest rates on the outstanding borrowings for 1999 and 1998 was 5.9% and 5.7%, respectively.

As at December 30, 1999, the Company had unused and available bank lines of credit amounting to approximately $29,976 (1998 - $27,145), subject to margin calculations, renegotiated annually.

NOTE 9 - LONG-TERM DEBT

	1999	1998
Revolving Bank Loans		
Bearing interest at various rates averaging 7.8% (1998 - 5.0%) per annum based on LIBOR or U.S. bank rates, with total availability of $50,000 U.S. with the principal balance due April, 2001. ($24,250 U.S.)	$ 35,000	$ 27,139
Term Bank Loans		
Bearing interest at 9.07% per annum with principal repayments as follows: • 6 monthly installments of $150 ($104 U.S.) ending in June 2000 • 23 monthly installments of $577 ($400 U.S.) ending May 2002 • Final payment due June 2002 of $552 ($382 U.S.) (1999 - $10,208 U.S., 1998 - $11,458 U.S.)	14,733	17,569
Repayable by quarterly installments of $99 (150 NLG) plus interest of 7.8% per annum ending in 2000. (1999 - 497 NLG, 1998 - 1,050 NLG)	328	913
Term Notes		
Bearing interest at 6.75% per annum with principal repayments as follows: • 4 annual installments of $2,165($1,500 U.S.) ending in April 2003 • 5 annual installments of $6,928 ($4,800 U.S.) ending in April 2008 ($30,000 U.S.)	43,299	45,999
Bearing interest at 6.88% per annum with principal repayments as follows: • 4 annual installments of $722 ($500 U.S.) ending in June 2003 • 5 annual installments of $2,309 ($1,600 U.S.) ending in June 2008 ($10,000 U.S.)	14,433	15,333
Installment notes	–	1,657
Obligation under capital lease	–	3,267
Other	6,912	14,353
	114,705	126,230
Current portion	7,727	14,279
	$ 106,978	$ 111,951

NOTE 9 - LONG-TERM DEBT (Cont'd)

The aggregate repayments in subsequent years of existing long-term debt will be:

Fiscal Year Ending	Amount
2000	$ 7,727
2001	44,833
2002	6,325
2003	2,887
2004	9,237
	$ 71,009

NOTE 10 - FINANCIAL INSTRUMENTS

In the normal course of business, the Company uses various financial instruments, including derivative financial instruments, for purposes other than trading. The Company uses derivative financial instruments as outlined in Note 1, to reduce exposures to fluctuations in foreign exchange rates. The Company's derivative financial instruments include foreign exchange contracts. The Company's non-derivative financial instruments include those as outlined below. By their nature, all such instruments involve risk, including market risk and the credit risk of non performance by counterparties. These financial instruments are subject to normal credit standards, financial controls, risk management as well as monitoring procedures.

Fair Value of Recognized Financial Instruments

Following is a table which sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below:

	December 30, 1999		December 30, 1998	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	$ 6,779	$ 6,779	$ 9,851	$ 9,851
Accounts receivable	151,261	151,261	120,299	120,299
Financial Liabilities				
Bank indebtedness	1,604	1,604	12,906	12,906
Accounts payable and accrued liabilities	76,149	76,149	69,745	69,745
Salaries payable	14,595	14,595	11,933	11,933
Long-term debt	114,705	112,685	126,230	127,443

The carrying amounts shown in the table above are those which are included in the balance sheet and/or notes to the financial statements.

Determination of Fair Value

The following methods and assumptions were used to estimate the fair values of each class of financial instruments:

Cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, salaries payable - The carrying amounts approximate fair value because of the short maturity of those financial instruments.

Long-term debt - The fair value is estimated based on discounting expected future cash flows at the discount rates which represent borrowing rates presently available to the Company for loans with similar terms and maturity.

Letters of credit - As described in Note 15, the Company has certain letter of credit facilities of which management does not expect any material losses to result from these instruments.

NOTE 10 - FINANCIAL INSTRUMENTS (Cont'd)

Foreign Exchange Risk Management

The Company enters into various types of foreign exchange contracts to manage its exposure to foreign currency risk as indicated in the following table:

	December 30, 1999		December 30, 1998		December 30, 1997	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Future contracts	$ 59,782	$ 61,157	$ 20,000	$ 20,144	$ 49,500	$ 48,804
Forward exchange contracts	-	-	-	-	2,514	2,527
Options	-	-	6,829	6,829	1,137	1,137

The Company enters into foreign exchange contracts to hedge particular anticipated but not yet committed sales and purchases expected to be denominated in those currencies when such transactions are probable and the significant characteristics and expected terms are identified. The term of the currency derivatives ranges from three to twelve months. The Company's market risk with respect to foreign exchange contracts is limited to the exchange rate differential.

Deferred unrealized gains (losses) on these contracts are presented in the following table, showing the periods in which they are expected to be recognized in income.

	1999	1998	1997
To be recognized within			
Three months	$ 693	$ 72	$ (233)
Six months	374	72	(220)
Nine months	204	-	(230)
Twelve months	104	-	-
	$ 1,375	$ 144	$ (683)

Concentrations of Credit Risk

Substantially all accounts receivable arise from sales to the retail industry. Sales to major customers represented 53.1% (1998 - 50.9%, 1997 - 55.8%) of total sales. Accounts receivable from these customers comprised 65.5% and 49.7% of the total at December 30, 1999 and 1998, respectively.

NOTE 11 - CAPITAL STOCK

The capital stock of the Company is as follows:

Authorized

An unlimited number of preferred shares without nominal or par value, issuable in series.

An unlimited number of Class "A" Multiple Voting Shares without nominal or par value, convertible at any time at the option of the holder into Class "B" Subordinate Voting Shares on a one-for-one basis.

An unlimited number of Class "B" Subordinate Voting Shares without nominal or par value, convertible into Class "A" Multiple Voting Shares, under certain circumstances, if an offer is made to purchase the Class "A" shares.

NOTE 11 - CAPITAL STOCK (Cont'd)

Authorized (Cont'd)

Details of the issued and outstanding shares are as follows:

	1999		1998	
	Number	Amount	Number	Amount
Class "A" Multiple Voting Shares				
Balance, beginning of year	5,245,360	$ 3,316	7,907,980	$ 5,007
Converted from Class "A" to Class "B" at an average rate of $0.63 (1998 - $0.64) per share (1)	(54,300)	(34)	(2,662,620)	(1,691)
Balance, end of year	5,191,060	3,282	5,245,360	3,316
Class "B" Subordinate Voting Shares				
Balance, beginning of year	22,266,482	84,709	18,598,962	60,643
Converted from Class "A" to Class "B" at an average rate of $0.63 (1998 - $0.64) per share (1)	54,300	34	2,662,620	1,691
Issuance of capital stock	-	-	920,000	22,040
Issued under stock option plan	660,250	2,338	84,900	335
Repurchase of capital stock (2)	(11,000)	(41)	-	-
Balance, end of year	22,970,032	87,040	22,266,482	84,709
TOTAL CAPITAL STOCK		$ 90,322		$ 88,025

1. During the year, the Company converted 54,300 Class "A" Multiple Voting Shares into Class "B" Subordinate Voting Shares at an average rate of $0.63 per share.

2. Under a Normal Course Issuer Bid effective December 9, 1999, the Company indicated its intention to purchase up to 260,143 Class "A" Multiple Voting Shares and 2,013,729 Class "B" Subordinate Voting Shares at the prevailing market price, the program expiring December 8, 2000. During the year, the Company purchased for cancellation by way of a Normal Course Issuer Bid on the Toronto Stock Exchange 11,000 Class "B" Subordinate Voting Shares for $253,600.

   In January 2000, the Company purchased for cancellation 21,000 Class "B" Subordinate Voting Shares by way of a Normal Course Issuer Bid on the Toronto Stock Exchange for $573,525.

3. Under the Company's current financing arrangements, the payment of dividends, redemption and repurchase of capital stock cannot exceed 25% of net income.

NOTE 12 - STOCK OPTIONS

Under various plans, the Company may grant stock options on the Class "B" Subordinate Voting Shares at the discretion of the Board of Directors, to senior executives and certain key employees. The exercise price is the market price of the securities at the date the options may be granted, less any discounts permitted by law and by regulations of the securities authorities to which the Company is then subject. No option may be exercised during the first year following its granting and is exercisable, on a cumulative basis, at the rate of 25% in each of the following four years, and will expire no later than the year 2004.

The Company's stock option plan is as follows:

	1999		1998	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding, beginning of year	1,865,750	$ 12.75	762,650	$ 3.61
Granted	300,000	26.28	1,188,000	18.00
Exercised	(660,250)	3.54	(84,900)	3.95
Expired	(7,500)	3.88	-	-
Options outstanding, end of year	1,498,000	$ 19.58	1,865,750	$ 12.75

A summary of options outstanding at December 30, 1999 is as follows:

Total Outstanding				Total Exercisable	
Options	Exercise Price	Weighted Average Exercise Price	Contractual Remaining Life	Weighted Average Options	Weighted Average Exercise Price
10,000	$ 4.69	$ 4.69	0.70	10,000	$ 4.69
1,488,000	$ 18.00 - $ 26.75	$ 19.67	3.96	1,188,000	$ 18.00

NOTE 13 - CUMULATIVE TRANSLATION ADJUSTMENT

An analysis of the cumulative translation adjustment included in shareholders' equity is as follows:

	1999	1998	1997
Balance, beginning of year	$ 18,771	$ 6,463	$ 5,024
Translation of self-sustaining foreign operations	(14,574)	12,827	3,613
Translation of foreign loans hedging net investment in foreign operations	(701)	(519)	(2,174)
Balance, end of year	$ 3,496	$ 18,771	$ 6,463

NOTE 14 - PENSION PLANS

The Company's subsidiaries sponsor two employee benefit programs. The benefits for the defined benefit plan are based on years of service with the Company. The future rate of return on assets of the plans are assumed to average 9.5%. Estimated projected benefit obligations of the plans were determined using discount rates averaging 8.0% (1998 - 7.00%, 1997 - 7.25%).

NOTE 14 - PENSION PLANS (Cont'd)

Net pension costs for the defined benefit plan comprise the following:

	1999	1998	1997
Pension expense:			
Current service costs	$ 557	$ 487	$ 386
Interest cost on projected benefit obligation	1,683	1,571	1,381
Return on plan assets	(2,032)	(2,696)	(2,088)
Net amortization and deferral	169	1,088	733
	$ 377	$ 450	$ 412

Total expense under the defined contribution plans was $2,982 (1998 - $2,109, 1997 - $774).

The following are details of the funded status of the plans and amounts recognized in the consolidated balance sheet at December 30.

Actuarial present value of:

	1999	1998	1997
Accumulated benefit obligation including vested benefits of $18,940, $24,965 and $20,939	$ 19,195	$ 25,291	$ 21,271
Projected benefit obligation for service rendered to date	$ (19,195)	$ (25,291)	$ (21,271)
Plan assets at fair value (primarily listed stocks and short-term investments)	25,030	21,731	17,442
Plan assets in excess of projected benefit obligation	5,835	(3,560)	(3,829)
Unrecognized net (gain) loss for experience different than that assumed	(3,464)	4,336	3,958
Unrecognized prior service costs to be recognized over the remaining service lives of employees	1,909	2,197	1,315
Remaining unamortized balance of net pension transition asset at January 1, 1987	(216)	(326)	(393)
Prepaid pension	$ 4,064	$ 2,647	$ 1,051

NOTE 15 - COMMITMENTS

a) The Company has entered into long-term lease agreements bearing various expiry dates to the year 2006. The minimum annual rentals exclusive of additional charges will be as follows:

Fiscal Year Ending	Amount
2000	$ 5,373
2001	4,985
2002	4,287
2003	3,746
2004	3,476
	$ 21,867

NOTE 15 - COMMITMENTS (Cont'd)

b) The Company has letter of credit facilities totalling $28,150 of which unaccepted letters of credit outstanding as at December 30, 1999 and 1998 amount to $4,834 and $29,415, respectively.

c) The Company has an exclusive licence agreement for three years, with The Ohio Mattress Company Licensing and Components Group ("Sealy"), expiring March 31, 2001, to manufacture and distribute futons in the United States, Canada and the Territory of Puerto Rico under the Sealy name. Sealy shall have the option to terminate this agreement prior to its expiration in the event that specified minimum sales levels are not achieved in a given year. The Company is required to pay a royalty to Sealy as a percentage of sales with minimum royalty payments to be made as follows:

Licence Year	Minimum Royalty
2000	$ 1,299
2001	$ 1,804

NOTE 16 - PRODUCT LIABILITY

The Company is partially self-insured for product liability related to its product lines. This coverage currently provides for a maximum of $722 per claim self-insured retention. The Company has reserved at December 30, 1999 and 1998, $4,600 and $4,500, respectively, against existing claims which is included in long-term debt. The Company paid $5,120 (1998 - $3,013, 1997 - $1,340) in settlement of product liability claims.

The Company determines the required liability for such claims based upon various assumptions which include, but are not limited to, the Company's historical loss experience, industry loss standards, projected loss development factors, product mix, and other data. When there appears to be a range of possible loss with equal likelihood, liabilities are recorded at the lower end of the range. These factors are reviewed periodically by management, and estimates are adjusted to reflect new information and loss experience. Management estimates that the reasonable range of future expenditures for product liability claims, in the aggregate, is $4,600 to $12,100 at December 30, 1999. Although management cannot predict the ultimate outcome of these matters, they do not anticipate that future product liability expenditures will have a material adverse effect on the financial condition of the Company.

NOTE 17 - CONTINGENT LIABILITIES

The Company is involved in various legal actions and party to a number of other claims or potential claims that have arisen in the normal course of business, the outcome of which is not yet determinable. In the opinion of management, based on information presently available, any monetary liability or financial impact of such lawsuits, claims or potential claims to which the Company might be subject would not be material to the consolidated financial position of the Company and the consolidated results of operations.

Upon the acquisition of Ameriwood Industries International Corporation, the Company assumed certain environmental liabilities and contingencies associated with the facility in Michigan, U.S.A. The contamination was discovered in 1989 and reported to the appropriate state environmental agency. A remedial investigation and feasibility study was completed and is under review by the State of Michigan. The Company has included approximately $2,129 (1998 - $2,147) in long-term debt related to the environmental liabilities. Based on the opinion of an independent engineering firm, the Company believes that any ultimate loss which may be realized beyond the amounts recorded will not result in a material adverse effect to the consolidated financial position of the Company and the consolidated results of operations.

NOTE 18 - EMPLOYEE BENEFITS

Certain of the Company's subsidiaries provide employee benefits which include health and accident programs. These companies have elected to self-insure these benefit programs. The expense for the year ended December 30, 1999 was $11,785 (1998 - $8,781, 1997 - $6,347) under this self-insured benefit program.

NOTE 19 - YEAR 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

NOTE 20 - RESTRUCTURING COSTS

During 1998, the Company recorded a pretax charge of $14,529 associated with the merger and integration of plant facilities. Included in this total are asset impairments of $5,200 (which reduced related asset balances), severance and other employment related costs of $7,700, and other costs of $1,629. At December 30, 1998, approximately $2,449 of restructuring costs are recorded in accounts payable and accrued liabilities. The restructuring program related to this provision was completed during Fiscal 1999.

NOTE 21 - INCOME TAXES

Variations of income tax expense from the basic Canadian Federal and Provincial combined tax rates applicable to income before income taxes are as follows:

	1999		1998		1997	
PROVISION FOR INCOME TAXES	$ 31,984	40.0 %	$ 15,995	40.0 %	$ 15,295	40.0 %
ADD (DEDUCT) EFFECT OF:						
Losses from subsidiary companies not recognized	-	-	734	1.8	243	0.6
Manufacturing and processing profits deduction	(665)	(0.8)	-	-	(226)	(0.6)
Non-allowable amortization	272	0.3	276	0.7	387	1.0
Non-deductible expenses	-	-	(57)	(0.1)	145	0.4
Difference in effective tax rates of foreign subsidiaries	(3,102)	(3.9)	(2,752)	(6.9)	(2,603)	(6.8)
Recovery of income taxes arising from the use of unrecorded tax benefits	(3,835)	(4.8)	(2,195)	(5.5)	-	-
Other - net	(369)	(0.4)	1,003	2.5	(317)	(0.8)
ACTUAL PROVISION FOR INCOME TAXES	$ 24,285	30.4 %	$ 13,004	32.5 %	$ 12,924	33.8 %

NOTE 21 - INCOME TAXES (Cont'd)

The following presents the Canadian and foreign components of income before income taxes and income tax expense for the years ended December 30:

		1999		1998		1997
Income (loss) before income taxes:						
Domestic	$	11,780	$	(2,785)	$	3,188
Foreign		68,181		42,774		35,050
	$	79,961	$	39,989	$	38,238
Details of income tax expense (recovered):						
Current						
Domestic	$	3,841	$	(584)	$	1,324
Foreign		19,930		13,462		11,166
		23,771		12,878		12,490
Deferred						
Domestic		534		393		162
Foreign		(20)		(267)		272
		514		126		434
Total Income Tax	$	24,285	$	13,004	$	12,924

NOTE 22 - EARNINGS PER SHARE

Basic earnings per share are calculated using the weighted daily average number of Class "A" Multiple Voting and Class "B" Subordinate Voting Shares outstanding of 27,957,502 (1998 - 27,149,614, 1997 - 24,566,078).

Fully diluted earnings per share are calculated after allowing for the exercise of stock options on the Class "B" Subordinate Voting Shares. The number of shares used for the fully diluted earnings per share calculation was 29,474,508 (1998 - 28,082,196, 1997 - 25,357,126). Net income used in determining fully diluted earnings per share has been increased by $742 to give effect to an imputed after tax return of 3% on funds which would have been available on the exercise of stock options.

NOTE 23 - STATEMENT OF CASH FLOWS

Net changes in non-cash working capital balances relating to operations are as follows:

		1999		1998		1997
Accounts receivable	$	(38,308)	$	(6,707)	$	(17,908)
Inventories		(12,542)		(3,358)		(14,936)
Prepaid expenses		(4,544)		(1,452)		(1,800)
Accounts payable, accrued liabilities and salaries payable		14,537		6,324		2,444
Income taxes payable		3,691		5,391		3,279
Total	$	(37,166)	$	198	$	(28,921)

NOTE 24 - RELATED PARTY TRANSACTIONS

The expenses include in 1998 and 1997 rent of $2,020 and $1,080 respectively, charged by a shareholder of the Company. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

NOTE 25 - SEGMENTED INFORMATION

Management of the Company has determined that the following segments are the principal business of the Company:

Juvenile	- Design, manufacture and distribution of children's furniture and accessories.
Ready-to-Assemble	- Design, manufacture and distribution of ready-to-assemble furniture.
Home Furnishings	- Design, manufacture and distribution of home furnishings.

Industry Segments

	Juvenile			Ready-to-Assemble			Home Furnishings			Eliminations			Consolidated		
	1999	1998	1997	1999	1998	1997	1999	1998	1997	1999	1998	1997	1999	1998	1997
Sales to customers	$ [illegible]	$ 293,147	$ 232,362	$ [illegible]	$ 294,901	$ 145,522	$ [illegible]	$ 178,558	$ 153,785	$	$ -	$ -	$ [illegible]	$ 766,606	$ 531,669
Inter-segment sales	[illegible]	130	176	[illegible]	5,127	8,509		3,805	1,307	([illegible])	(9,062)	(9,992)		-	-
TOTAL OPERATING REVENUE	[illegible]	293,277	232,538	[illegible]	300,028	154,031	[illegible]	182,363	155,092	([illegible])	(9,062)	(9,992)	[illegible]	766,606	531,669
* OPERATING PROFIT	$ [illegible]	$ 26,496	$ 16,405	$ [illegible]	$ 30,267	$ 32,808	$ [illegible]	$ 198	$ 3,696				[illegible]	56,961	52,909
Corporate expenses													11,156	7,769	6,077
Interest													9,716	9,203	8,594
Income taxes													[illegible]	13,004	12,924
NET INCOME													$ 55,676	$ 26,985	$ 25,314
IDENTIFIABLE ASSETS	$ [illegible]	$ 173,140	$ 134,374	$ [illegible]	$ 183,735	$ 76,200	$ [illegible]	$ 84,803	$ 82,929				$ [illegible]	$ 441,678	$ 293,503
Corporate assets													[illegible]	22,708	16,299
TOTAL ASSETS													$ 495,827	$ 464,386	$ 309,802
CAPITAL EXPENDITURES	$ [illegible]	$ 8,972	$ 6,612	$ [illegible]	$ 13,564	$ 1,707	$ [illegible]	$ 4,999	$ 2,904						
AMORTIZATION	$ [illegible]	$ 8,230	$ 6,936	$ 10,472	$ 6,787	$ 2,602	$ 4,272	$ 4,913	$ 3,669						

* Included in the operating profit for 1998 are restructuring costs in the amount of $14,529 as outlined in Note 20, of which $10,079 relates to Ready-to-Assemble and $4,450 to Home Furnishi

Geographic Segments

	Canada			United States			Foreign			Eliminations			Consolidated		
	1999	1998	1997	1999	1998	1997	1999	1998	1997	1999	1998	1997	1999	1998	1997
Sales to customers	$ [illegible]	$ 140,680	$ 122,003	$ [illegible]	$ 558,271	$ 361,410	$ [illegible]	$ 67,655	$ 48,256	$ -	$ -	$ -	$ [illegible]	$ 766,606	$ 531,669
Sales between geographic segments	[illegible]	13,644	3,302	[illegible]	7,328	8,488	[illegible]	-	-	([illegible])	(20,972)	(11,790)		-	-
TOTAL OPERATING REVENUE	[illegible]	154,324	125,305	[illegible]	565,599	369,898	[illegible]	67,655	48,256	([illegible])	(20,972)	(11,790)	$ [illegible]	$ 766,606	$ 531,669
* OPERATING PROFIT	$ [illegible]	$ 12,329	$ 13,221	$ [illegible]	$ 34,533	$ 32,737	$ [illegible]	$ 10,099	$ 6,951				[illegible]	56,961	52,909
Corporate expenses													11,156	7,769	6,077
Interest													9,716	9,203	8,594
Income taxes													[illegible]	13,004	12,924
NET INCOME													$ 55,676	$ 26,985	$ 25,314
IDENTIFIABLE ASSETS	$ [illegible]	$ 61,246	$ 58,626	$ [illegible]	$ 344,361	$ 204,553	$ [illegible]	$ 36,071	$ 30,324				$ [illegible]	$ 441,678	$ 293,503
Corporate assets													25,741	22,708	16,299
TOTAL ASSETS													$ 495,827	$ 464,386	$ 309,802

Transfers between geographic segments are accounted for at prices comparable to open market prices for similar products.

Canadian operations include export sales of $148,341 (1998 - $116,655, 1997 - $96,543) primarily to customers in the United States.

* Included in operating profit for 1998 are restructuring costs in the amount of $14,529 as outlined in Note 20, of which $4,450 relates to Canada and $10,079 to the United States.

NOTE 26 - UNITED STATES ACCOUNTING PRINCIPLES

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada (Canadian GAAP) which, in the case of the Company, conform in all material respects with those in the United States (U.S. GAAP) and with the requirements of the Securities and Exchange Commission (SEC), except as follows:

Deferred Charges

- Development costs

  Canadian GAAP allows for the deferral and amortization of development costs if specific criteria are met. Under U.S. GAAP all costs classified as development costs are expensed as incurred.

- Start Up Costs

  Under Canadian GAAP, the Company capitalized certain start up costs which are amortized over a period of three years. Under U.S. GAAP, these start up costs are expensed within the year.

Deferred Income Taxes

Under Canadian GAAP, income taxes are recorded under the deferred method which provided for tax allocation on differences between accounting income and taxable income for the period. The tax effect of the differences arising in a year are calculated using the tax rates and regulations existing for that year. The current year amount recorded for deferred income taxes is not adjusted for tax rates and regulations which may change in the future. SFAS No. 109 "Accounting for Income Taxes" recognizes the amount of income taxes payable or refundable in the current year and provides for potential future taxes or benefits arising from differences between the amounts shown for assets and liabilities in the balance sheet and the tax basis of these assets and liabilities at year end.

Pension Plans

Canadian GAAP does not require the recognition of an additional minimum pension liability for pension plans which are underfunded. SFAS No. 87, "Employers' Accounting for Pensions", requires that the minimum pension liability be recorded in the financial statements.

The Company's subsidiary in the Netherlands has a multi-employer pension plan. Under Canadian GAAP this pension plan is accounted for as a defined contribution plan. Under U.S. GAAP, SFAS No. 87 requires the pension plan to be accounted for as a defined benefit plan.

Post-Retirement Benefits Other than Pensions

Under Canadian GAAP, post-retirement benefits other than pensions are generally charged to operations as incurred. Under U.S. GAAP, SFAS No. 106 "Employers' Accounting for Post-Retirement Benefits Other than Pensions" requires that post-retirement benefits be accrued during the years the employee provides the necessary service.

Foreign Currency Translation

Under Canadian GAAP, unrealized and realized gains and losses on foreign currency transactions identified as hedges may be deferred as long as there is reasonable assurance that the hedge will be effective. Under U.S. GAAP, deferral is allowed only on foreign currency transactions intended to hedge firm foreign currency commitments.

Restructuring Costs

Under Canadian GAAP, certain incremental costs incurred in connection with an acquisition may be included in the allocation of the purchase price to the acquired assets and liabilities, or may be included in the results of current operations. U.S. GAAP requires that certain incremental costs be included as part of the purchase price allocation and resulting goodwill.

Stock Options

The United States Financial Accounting Standards Board has issued a new standard SFAS No. 123 for accounting for stock based compensation. The Company has elected to continue to account for its stock-based compensation plan under the guidelines of Accounting Principles Board Opinion No. 25 for purposes of reconciliation to U.S. GAAP; however, additional disclosure as required by the guidelines of SFAS No. 123 is included below.

In accordance with Company policy, the exercise price of the Company's employee stock option equals the market price of the underlying stock on the date of grant. Accordingly, under the rules of APB 25, no related compensation expense was recorded in the Company's results of operations for U.S. GAAP purposes.

NOTE 26 - UNITED STATES ACCOUNTING PRINCIPLES (Cont'd)

Stock Options (Cont'd)

If the Company had elected to recognize compensation costs based on the fair value at the date of grant, consistent with the provisions of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the following pro-forma amounts:

	1999	1998	1997
Pro-Forma net income for U.S. GAAP	$ 53,324	$ 31,881	$ 24,467
Pro-Forma earnings per share			
Basic	$ 1.91	$ 1.17	$ 1.00
Fully Diluted	$ 1.88	$ 1.17	$ 0.97

The above pro-forma net income and earnings per share were computed using the fair value of granted options as at the date of grant as calculated by the Black-Scholes option method. In order to perform the calculation the following weighted average assumptions were made for fiscal years 1999, 1998 and 1997:

	1999	1998	1997
Risk-free interest rate	5.44 %	6.65 %	5.25 %
Dividend yield	Nil	Nil	Nil
Volatility factor of the expected market price of the Company's common stock	0.303	0.299	0.273
Term to maturity	3.74	4.76	2

Retained Earnings

Under Canadian GAAP, stock issue costs are shown as an adjustment to retained earnings. Under U.S. GAAP, the carrying amount of capital stock is shown net of issue costs.

The following table reconciles the net income as reported on the consolidated statement of income to the net income that would have been reported had the financial statements been prepared in accordance with the United States Accounting Principles and the requirements of the SEC:

	1999	1998	1997
Net income in accordance with Canadian GAAP	$ 55,676	$ 26,985	$ 25,314
Adjustments to reconcile financial statements to U.S. GAAP:			
Deferred start-up costs	-	-	30
Deferred product development costs	(804)	(706)	68
Accounting for pensions	171	311	53
Post-retirement benefits	(999)	(802)	(935)
Foreign exchange contracts	493	827	(226)
Restructuring costs	-	7,193	-
Goodwill amortization	(300)	(199)	-
Income taxes	275	(1,430)	388
	(1,164)	5,194	(622)
Net income in accordance with U.S. GAAP	$ 54,512	$ 32,179	$ 24,692
Earnings per share			
Basic	$ 1.95	$ 1.19	$ 1.01
Fully diluted	$ 1.92	$ 1.18	$ 0.98

NOTE 26 - UNITED STATES ACCOUNTING PRINCIPLES (Cont'd)

Earnings Per Share

The United States Financial Accounting Standards Board has a standard, SFAS No. 128, regarding the calculation of earnings per share and the Company has computed earnings per share based on this methodology. Basic earnings per share is calculated on the basis of the weighted average shares outstanding for 1999 - 27,957,502, 1998 - 27,149,614 and 1997 - 24,566,078. Fully diluted earnings per share is calculated on the basis of weighted average shares outstanding for 1999 - 28,373,890, 1998 - 27,185,243 and 1997 - 25,111,816 as computed under the treasury stock method.

The following summarizes the balance sheet amounts in accordance with U.S. GAAP where different from the amounts reported under Canadian GAAP:

	1999	1998
Deferred charges	$ 1,761	$ 4,439
Intangible assets	25,794	30,186
Accounts payable and accrued liabilities	74,807	75,129
Income taxes payable	4,209	5,247
Accumulated post-retirement obligation	17,278	17,325
Deferred income taxes	14,924	9,837
Capital stock	88,103	85,694
Retained earnings	165,256	110,971
Minimum pension adjustment	-	(2,406)
Cumulative translation adjustment	2,203	16,579

The components of deferred taxes are as follows:	1999	1998
Current deferred income tax assets:		
Reserves and allowances	$ 10,459	$ 10,296
Other	470	-
Total current deferred income tax assets	10,929	10,296
Current deferred income tax liabilities	273	199
Net Current Deferred Income Tax Assets	$ 10,656	$ 10,097
Long-term deferred income tax assets:		
Post-retirement benefits	$ 7,084	$ 7,103
Employee pension benefits	-	1,174
Share issue costs	635	888
Development costs	641	524
Total long-term deferred income tax assets	8,360	9,689
Long-term deferred income tax liabilities:		
Reserves and Allowances	6,424	3,149
Employee pension benefits	247	-
Foreign exchange contracts	162	273
Capital assets	16,396	16,087
Other	55	17
	23,284	19,526
Net Long-Term Deferred Income Tax Liabilities	$ 14,924	$ 9,837

NOTE 26 - UNITED STATES ACCOUNTING PRINCIPLES (Cont'd)

The Company's Statement of Cash Flows determined in accordance with U.S. GAAP would be as follows:

	1999	1998	1997
Operating activities	$ 40,831	$ 50,968	$ 10,218
Financing activities	(15,227)	(2,279)	15,364
Investing activities	(27,175)	(50,881)	(10,323)
Effect of exchange rates on cash	499	(5,263)	(421)
Increase (decrease) in cash and cash equivalents	$ (1,072)	$ (7,455)	$ 14,838

Comprehensive Income

The United States Financial Accounting Standards Board has issued a new standard, SFAS No. 130, "Reporting Comprehensive Income". For the Company, the principal difference between net income, as historically reported in the consolidated statement of income and comprehensive income, is foreign currency translation recorded in shareholders' equity and minimum pension liability not yet recognized as a net periodic pension cost. Comprehensive income is as follows:

	1999	1998	1997
Net income in accordance with U.S. GAAP	$ 54,512	$ 32,179	$ 24,692
Foreign currency translation adjustments	(10,210)	8,241	964
Minimum pension liability adjustments	2,406	(267)	(591)
Comprehensive income	$ 46,708	$ 40,153	$ 25,065

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